

Pensions & Investment Age

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Looking back, forging ahead

The significant developments of 1985 and the emerging issues of 1986 are addressed in the review and outlook section that begins on page 3. Bond, equity, international, real estate and alternative investments are among the topics addressed.



Single-employer reform bill ready

By Joel Chernoff

WASHINGTON — Senate and House conferees hammered out a compromise bill reforming the single-employer plan termination insurance system, averting an impasse that nearly blocked the long-sought-after legislation.

However, the outcome of the single-employer reforms remained in shadow as of press time. The budget reconciliation bill, to which the reforms are attached, still lacked congressional approval and was rumored to be subject of a potential presidential veto because of provisions concerning cigarette taxes and other issues.

The reforms are designed to shore up the weakening finances of the Pension Benefit Guaranty Corp., whose deficit for its single-employer termination program is estimated at \$1.3 billion.

The bill would make it much harder for an employer to terminate an underfunded plan. If a company did terminate such a plan, the legislation would create new employer obligations to plan participants and increased liabilities to the PBGC.

The legislation, if approved by Congress and signed by President

Reagan, also would permanently boost the annual premium paid by all employers with defined benefit pension plans to \$8.50 per participant from the current \$2.60. The increase would take effect for plan years beginning on or after Jan. 1.

Most other provisions would be effective the earlier of the date of enactment or Jan. 1. This rule lets Wheeling-Pittsburgh Steel Corp. off the hook for any additional liability for its terminated plan, despite efforts by other steel companies to have the bill go into effect retroactively (*Pensions & Investment Age*, Nov. 11).

Also significant is the imposition of delays in processing the termination of overfunded pension plans. That provision, sponsored by Sen. Howard Metzenbaum, D-Ohio, underwent minor modifications to make it more manageable administratively, including limiting the rule to plans with reversions of \$1 million or more.

In addition, key changes were made in the method of calculating employer liability to the PBGC and plan participants for terminated, underfunded plans of ongoing employers after objections were raised by congressional judiciary committees.

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GAF targets parachute

Surplus is in jeopardy

By Barry B. Burr

NEW YORK — Union Carbide Co.'s recently adopted "pension parachute" may not prevent GAF Corp. from using Carbide's surplus pension assets to finance its takeover of the company.

GAF has filed suit in federal court to block the parachute, raising the fundamental issue of a company's prerogative to protect its surplus pension assets.

The GAF suit, filed in U.S. District Court in New York, seeks to enjoin Carbide from implementing the parachute, saying it "has no rational purpose."

GAF, in a Securities and Exchange Commission filing, cited the surplus assets as a source of financing for its \$68-a-share, or \$4 billion, cash offer for Carbide.

Carbide adopted the so-called parachute last July as an anti-takeover device. Like those adopted by a number of other companies, Carbide's parachute, to be

opened at the company's discretion, would deny hostile suitors its pension surplus by using the excess assets to increase benefits.

In its suit, GAF puts the surplus at \$500 million. But the amount is complicated by a spinoff termination Carbide filed in August and that was approved in late November by the Pension Benefit Guaranty Corp. According to data filed with the PBGC, Carbide recaptured in the termination \$500 million of an \$800 million surplus and left the remaining \$300 million in its continuing pension plan.

Despite GAF's hostile bid, Carbide apparently hasn't implemented its parachute to use up the \$300 million.

Carbide and GAF officials and attorneys couldn't be reached for comment.

Carbide's termination filing came only several weeks after adopting the parachute last July.

In a spinoff termination, a pension plan is split into two: one for

active employees; the other for retirees. The surplus assets Carbide recovered were placed in the plan for retired employees, which then was terminated. Carbide left the remaining surplus in the continuing plan for active employees. Under PBGC rules, annuities have to be purchased to cover all accrued benefits of both groups.

Aside from the pension parachute, Carbide has adopted so-called golden parachutes, another antitakeover device providing big severance contracts, for 42 top executives in the event their "employment is terminated after a change in control" of the company. The golden parachutes are reportedly worth at least \$8.7 million for Carbide's top five executives alone.

In addition, the company set up a \$15 million trust to pay retirement benefits to executives.

Herbert W. Krueger Jr., a lawyer with Mayer, Brown & Platt, Chicago, who isn't involved with the

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GE and RCA merger may alter funds

By Richard J. Gillespie

STAMFORD, Conn. — The planned takeover of RCA Corp. by General Electric Co. has made uncertain the future of the \$2.2 billion RCA pension fund.

Among the possible outcomes:

- GE could merge the RCA fund into its much larger \$15 million pension fund, following the lead of Allied-Signal Corp., The LTV Corp. and Chevron Corp., all of which consummated mergers in the past 18 months.

- GE pension executives could decide to internally manage the RCA pension assets as they already do with GE's assets. When LTV merged with Republic Steel Corp., for example, the assets were merged and Republic Steel's investment management subsidiary took over management of the combined assets.

- The plans could remain separate, as Conoco's has since E.I. du Pont de Nemours & Co. acquired Conoco Inc. The du Pont plan is internally managed and the Conoco plan, externally managed.

- GE officials could decide to terminate one or both of the overfunded plans, capturing almost \$2 billion in surplus assets to help pay for GE's acquisition of RCA. However, one analyst said GE officials already have ruled out that option.

General Electric agreed to purchase RCA Corp. for \$6.28 billion, or \$66.50 per share, in an all-cash transaction announced Dec. 11.

By terminating both overfunded pension plans and adding the proceeds to the \$5 billion cash already

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Woolworth seizes asset mix control

By Alan Krauss

NEW YORK — F.W. Woolworth Co. pension fund executives are operating under new investment guidelines giving them more control over the asset mix, a move that likely will lead to restructuring 46% of the \$450 million pension fund.

At stake is about \$207 million now managed in four fully discretionary, balanced accounts with IDS Advisory Group, Minneapolis; Thorndike, Doran, Paine & Lewis, Boston; Lord, Abbett & Co., New York; and Bernstein-Macaulay Inc., New York. Their accounts with Woolworth range from \$11 million to \$71 million.

"We weren't in control of the

asset mix — it was all over the place," said John H. Cannon, Woolworth vice president and treasurer. "We were getting asset mix by default."

For example, he said, IDS recently had 66% in equities and 29% in fixed income, while Bernstein-Macaulay had 41% in equities and 46% in fixed.

"Determining the asset mix is the most important thing we can do," he said, "because in general the total rate of return depends much more on that than on the selection of individual securities."

Including the balanced accounts, the asset mix of the full Woolworth plan as of Nov. 30 was 45.5% fixed income, 38% equities, 9.5% cash and

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Late news

California selects 6

SACRAMENTO, Calif. — In its first move to fully discretionary outside managers, the \$30 billion California Public Employees' Retirement System has selected six equity managers to receive a total of between \$600 million and \$3 billion, according to Greta Marshall, investment manager.

The managers are: Batterymarch Financial Management, Boston; Citicorp Investment Management, New York; Dimensional Fund Advisors, Santa Monica, Calif.; Fidelity Management Trust Co., Boston;

First Chicago Investment Advisors, Chicago; and Rosenberg Capital Management, San Francisco.

The hirings of the six are subject to final negotiations, expected to be complete by February.

Each manager will receive between \$100 million and \$500 million, she said.

All of the fund's assets had been managed in-house, with Citicorp and Bankers Trust Co., New York, serving in advisory roles.

All six of the new equity managers will be permitted to use bonds in the portfolios, she said.

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New issues of comments

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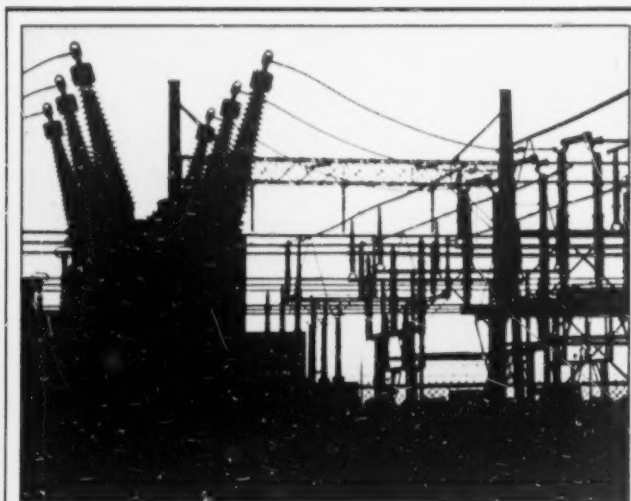
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Southern Co. hires 8

Strategy realigned

By Barry B. Burr

ATLANTA — In a major change, Southern Co. has scrapped its long-time balanced-manager investment approach for a style-specific strategy, shifting a large part of its \$13 billion pension fund among 12 managers.

The fund hired seven equity managers and one fixed-income manager, while dropping a balanced manager.

In addition, it reduced the assignments of four existing managers to specific accounts from balanced portfolios.

Also, as part of the changes, Southern hired its first master trustee.

According to Richard T. Benton, Southern financial analyst, the equity managers hired are: INVESCO Capital Management Inc., Atlanta; Miller, Anderson & Sherrerd, Bala Cynwyd, Pa.; Spears, Benzak, Salomon & Farrell Inc., New York; Jundt Capen Associates, Minneapolis; Lieber & Co., Harrison, N.Y.; Strong/Corneliusson Capital Management Inc., Mil-

waukee; and Northern Capital Management Inc., Madison, Wis.

Also, it hired Discount Corp. of New York Advisers as a fixed-income manager.

Southern dropped Bankers Trust Co., which was one of five balanced advisers, from its managerial line-up, but hired the bank as its master trustee.

It reduced the assignments of Citizens & Southern Investment Counseling, Atlanta; First National Bank of Atlanta; AmSouth Bank, Birmingham, Ala.; and Trusco Capital Management, Atlanta; all of which were balanced managers.

AmSouth was assigned an equity portfolio. First National was given a fixed-income account; its existing timber fund was unaffected. Trusco also was assigned a fixed-income portfolio, but was dropped as a real estate manager. Citizens & Southern retained only an existing real estate portfolio.

The changes left unaffected Southern's \$50 million in guaranteed investment contracts with four insurers — Mu-

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SEI to buy Merrill unit, boost hold on consulting market

By Trudy Ring

WAYNE, Pa. — SEI Corp., parent company of SEI Funds Evaluation Services, is acquiring Merrill Lynch Consulting Group, reportedly for \$6 million, sources said.

Neither SEI nor Merrill Lynch & Co. officials would comment on the acquisition, which could give SEI Funds Evaluation up to a 45% share of the pension fund consulting market.

The sources said SEI signed a letter of intent Dec. 11 to buy Merrill Lynch Consulting, after negotiations that began just about a month earlier. Details of the agreement are to be worked out by the end of the year. Officials at both companies would not confirm the deal, nor discuss the price or structure.

A letter informing both companies' clients of the sale went out in mid-December, sources said.

SEI Funds Evaluation already is the market leader in pension fund consulting, with about 1,500 retainer clients and a 37% market share. The acquisition of the Merrill Lynch group probably will increase those figures to about 2,400 and 45%, sources said.

There may be some overlap be-

tween the client bases, sources said, but the extent has not been determined.

The acquisition also will increase SEI's data base of tax-exempt portfolios to about 7,500 from 4,000, sources said.

The consulting groups offer similar services, including asset allocation, manager selection and performance evaluation. For certain clients coming over from Merrill Lynch, SEI will continue to produce the Investment Performance Analysis product that had been offered by Merrill Lynch, sources said.

One source said the product differs from other performance measurement systems in that it compares a money manager against others who use the same style, such as investment in small-capitalization stocks or undervalued stocks. The product has seven categories for managers, he said.

"It's the only thing that differentiated Merrill Lynch from anyone else," the source said. "I think it should complement SEI very well."

As part of the sale agreement, SEI will use Broadcourt Capital Corp., a Merrill Lynch subsidiary, to clear soft-dollar stock brokerage

business, sources said. SEI has been using Pershing Division of Donaldson, Lufkin & Jenrette Securities Corp., New York.

Merrill Lynch reportedly is selling the consulting group because it doesn't fit in with its brokerage business. By selling the group, Merrill Lynch will get rid of the overhead that went with it, but retain the directed brokerage business it generated.

Merrill Lynch Consulting Group has about 70 employees; they will become part of SEI Funds Evaluation.

SEI Funds Evaluation has about 180 employees in production, planning and development and 100 in sales. The sales force includes those marketing SEI's other products, such as trust accounting and mutual funds, as well as consulting.

SEI Funds Evaluation accounts for about 20% of the parent company's personnel, 29% of its revenue and 45% of its profits. Comparable figures for Merrill Lynch Consulting Group were not available.

SEI Funds Evaluation once was A.G. Becker's funds evaluation group. SEI Corp. acquired the consulting business in October 1983. ■

NYC funds drop Favia, Hill

By Ed Christman

NEW YORK — Two New York City pension funds have terminated accounts totaling \$2.65 billion with fixed-income manager Favia, Hill & Associates, a step that might precede a move to passive management by the funds.

The \$9.6 billion New York City Teachers Retirement System moved its \$2.4 billion account with the firm, and the roughly \$419 million New York City Board of Education Retirement System pulled its \$250 million portfolio.

Performance appeared to be the reason for the dismissal. According to a news release distributed by the city comptroller's office, "The systems took these actions because they believe the assets could be better deployed by another manager."

According to figures confirmed by Marvin Damsma, third deputy comptroller, Favia, Hill garnered a 21.4% return for the year ended June 30, and an annualized 10.1% for two years as of that date.

Meanwhile, a \$371 million bond index fund run for the city retirement systems by Lehman Management Inc., New York, chalked up 33.1% for the year, and an annualized 13.9% for two years.

The dismissal was unrelated to the possible move to passive management.

The assets freed up by the termination of Favia, Hill were assigned temporarily to Citibank Invest-

ment Management, which already ran \$6.1 billion in fixed-income assets for the New York City Employee Retirement Systems, bringing its total fixed-income assets under management for the city funds to \$8.75 billion.

Citibank also serves as the master custodian for those funds.

Mr. Damsma said the assignment was temporary because the comptroller's office has begun to set up benchmark, or "normal," portfolios for each investment manager running assets for the five retirement systems overseen by the comptroller's office (*Pensions & Investment Age*, Sept. 2).

The teachers' fixed-income assets, which total \$6.4 billion, are run by the comptroller's office, which also oversees investment of the Board of Education fund. The teachers' board of trustees independently oversees the investments of the system's \$2.6 billion Variable Annuity Plan "A," which is invested primarily in equities, and the \$572 million Variable Annuity Plan "B," which is invested entirely in guaranteed investment contracts.

In addition, to the teachers' fixed-income portfolio and the Board of Education fund, the comptroller's office oversees the investment of the pension funds for city employees, police officers and firefighters.

Overall, the comptroller's office oversees \$21.8 billion in employee

benefit assets.

The benchmark portfolio concept, which is expected to be used within two months, can be characterized as an index fund for the investment style and market sector used by an investment manager.

It tries to capture the passive element of a manager's style, and thus allows pension funds to more accurately measure the performance of that style, rather than comparing it against market standards — such as the Standard & Poor's 500 stock index and Shearson Lehman Government/Corporate bond index — or against the performance of other managers.

This allows pension funds to get a better handle on managing the investment managers.

The benchmark portfolios also can provide plan executives with a detailed picture as to what the real asset allocation of a fund is by market sector in each asset class.

"The purpose of using benchmarks is to control and evaluate," Mr. Damsma said, noting it was being implemented for both equity and fixed-income investments. When in place, the procedure will provide information that will allow fund officials to decide if they want to take the entire fixed-income portfolio to passive management, he said.

When those decisions are made, fund officials will decide what to do with the assets Favia, Hill ran, he said. ■

Charity fund execs best paid, study says

By Chuck Paustian

GREENWICH, Conn. — Investment executives at charitable institutions earn higher salaries than corporate and public pension executives, a new survey shows.

The average salary of corporate pension executives is \$72,200 annually. In comparison, administrators of endowments, foundations and charitable associations receive an average of \$77,700 and public fund officials, \$44,900.

The study was conducted by the consulting and research firm Greenwich Associates. The data is based on personal interviews with fund executives at 1,064 corporations, 280 public funds and 110 endowments, foundations and associations.

"This is the most comprehensive (study) we have ever done," said Rodger F. Smith, partner of the Greenwich-based firm.

"Compensation differences between public fund officials and their counterparts at corporate funds and eleemosynary institutions are significant and cannot be explained by the size and importance of assets alone," Mr. Smith said.

"I think the public fund officials are responsible for very large (pools of) assets and their compensation is the lowest of the group."

There is little variance in the salaries of corporate plan executives based on plan size.

The highest paid corporate executives, those with plan assets between \$50 million and \$200 million, earn, on average, \$72,800, only 1.8% more than \$71,500, the lowest average salary paid to corporate executives, those with plan assets of less than \$50 million.

The median salary for all corporate groups was \$62,500.

The survey showed 13% of all the corporate executives interviewed earn annual salaries of more than \$100,000.

In addition to their base salary, about half of the corporate officials interviewed receive an annual bonus, with 13% receiving a bonus of \$20,000 or more each year.

In contrast, there is much more variation in the average annual salaries paid to executives of foundations, associations and endowments.

The officials of foundation funds earn the highest average salary, re-

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Indexed assets up 70% in 1985

By Ed Christman

1985 was a banner year for index fund managers as indexed assets leaped almost 70% to approximately \$81 billion, a *Pensions & Investment Age* telephone survey shows.

That figure was \$33.3 billion more than the approximately \$48.2 billion those managers claimed at the end of 1984.

The dramatic movement of pension fund assets into indexed products began 1984; it was fueled in 1985 by the relatively poor performances of active managers and the increasing use of indexed funds as a way of dealing with a growing asset base.

Of the \$81 billion in indexed assets, approximately \$70 billion is in equity products and \$11 billion in fixed-income products.

In explaining index management's rise to prominence, marketers generally noted 70% of active managers have underperformed benchmark indexes.

One index fund marketer, who asked not to be identified, went so far as to characterize index managers as "vultures, waiting to pick business off the carcasses of active managers, and there are plenty of carcasses lying around."

Past surveys by *P&I Age* have shown indexed assets run by money managers to have grown to their current levels from \$9 billion in 1980.

Wells Fargo Investment Advisors, San Francisco, and Bankers Trust-Investment Management Group, New York, enjoyed explosive growth in 1985. Wells Fargo more than doubled indexed assets under management to \$29 billion, of which \$24 billion was for equity products, \$2.5 billion was for fixed-income products and \$2.6 billion for specialized indexing. Bankers Trust's indexed assets jumped to \$20 billion from \$13 billion, 95% of which was for equity products and the remainder for fixed income.

Indexed assets probably exceed the \$100 billion mark when pension funds' internally managed assets are included.

For example, the Teachers Insurance & Annuity Association—College Retirement Equities Fund, the largest pension fund in the nation, has \$12.5 billion in internally indexed equities. Many other large pension funds manage some indexed assets in-house.

Moreover, the telephone survey revealed a growing attraction by pension executives with fixed-income index products. That attraction might have been spurred by executives' experiences with dedications and immunizations, other forms of passive fixed-income management that have proven very popular in recent years.

The five leading fixed-income managers in the telephone survey are Mellon Bank, with \$3.7 billion; Wells Fargo, \$3.5 billion; State Street Bank & Trust Co., \$1.2 billion; Bankers Trust, \$1 billion; American National Bank, \$800 million; and Lehman Management Co., \$604.9 million.

Although indexed fixed-income assets are far below indexed equity assets, it is only in the past five years that the Shearson Lehman Government/Corporate bond index has come to be accepted as the standard, pointed out David R. Hardin, vice president and director of fixed-income services for RepublicBank, Dallas. RepublicBank is in the index fund market with a Standard & Poor's 500 stock index product that has \$150 million under management, and a bond index product, with \$45 million under management. The bank plans to add two more bond products in 1986.

Officials in the New York City controller's office, which oversees \$21.8 billion in assets, are considering indexing the fund's entire fixed-income portfolio, almost \$15 billion. If that occurs, New York might be in the vanguard of a new fixed-income philosophy.

The past year has seen a number of other large pension funds, particularly public, turning to index management.

Officials of the California State Teachers' fund are planning on indexing 65% of its approximately \$15 billion in pension assets.

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Indexed assets . . .

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Many large funds are turning to index products because in their attempt to diversify they wind up mirroring the index anyway, said Lawrence S. Harris, senior vice president and director at Alliance Capital Management, New York.

Index managers expect those large pension funds to continue increasing their indexed assets, although many agree that growth probably won't be as explosive as it has been.

Other pension funds reported to have embraced an index vehicle in the past year are Teamsters, Central States, Southeast and Southwest Areas Pension Fund, Chicago, which indexed more than \$1.7 billion in equity assets; Eaton Corp., Cleveland, which expanded its indexed equity assets to more than \$100 million; and Chicago Policemen's Annuity and Benefit Fund, which placed \$65 million in a fixed-income index fund.

Also putting assets into indexed accounts, the Florida State Board of Administration, Tallahassee; the Kentucky Retirement System, Frankfort; the Illinois Municipal Retirement Fund, Chicago; the Retirement Systems of Alabama, Montgomery; the Maryland State

Retirement & Pension Systems, Baltimore; and the Utah State Retirement Fund, Salt Lake City.

Public pension fund officials seem to be more disposed to indexing assets because the performance results of the fund are often used as a "political football," explained one index manager, who did not wish to be identified.

He said the party in power doesn't get credit when funds achieve good returns, but is attacked when the returns are poor. Under those circumstances, "it makes sense for officials to index," he said.

However, not all growth has come directly from pension fund executives. Batterymarch Financial Management, Boston, a pioneer of index management, got out of the business this year, freeing up the approximately \$1 billion it managed in index funds.

Alan J. Strassman, executive vice president, explained Batterymarch's move by saying, "The thrill was gone. We have nothing new to bring to the product," which has become a commodity.

Mr. Strassman said another factor involved in the decision was the low fees indexing brings in.

The bulk of indexed equity assets

Top 20 index fund managers*

Rank	1985 total	1985 equity total	1985 fixed income total	1984 total
1. Wells Fargo Investment Group	29,100	25,600	3,500	14,000
2. Bankers Trust Investment Mgmt. Group	20,000	19,000	1,000	13,000
3. Mellon Capital Management	8,200	7,750	450	4,400
4. American National Bank & Trust	7,500	6,700	800	5,000
5. Mellon Bank ¹	4,500	1,250	3,250	3,900 ²
6. State Street Bank & Trust	2,360	1,100	1,260	1,600
7. Dimensional Fund Advisors	2,100	2,100	0	1,600
8. Manufacturers National Bank of Detroit	2,000	2,000	0	1,600
9. Wilshire Associates Management	1,800	1,900	0	1,500
10. Chase Investors Management	1,250	1,250	0	955
11. Alliance Capital Management	750	750	0	99
12. Harris Trust & Savings	713	713	0	600
13. Northern Trust Co.	645	645	0	50
14. Lehman Management Co.	605	0	605	454
15. Prudential Asset Management	510	460	50	197
16. Great American Core Investors	200	200	0	85
17. Center Trust Co.	196	196	0	143
18. RepublicBank Trust/Dallas	195	150	45	NA
19. Metropolitan Life Insurance Co.	175	175	0	87
20. T. Rowe Price	100	0	100	NA

*Ranked by 1985 data as of Nov. 30.

¹Mellon Bank's total does not include approximately \$500 million in commitments and \$150 million committed to a synthetic cash product, invested when conditions warrant.

²P&I Age estimate.

are in "plain vanilla" S&P 500 funds, but plan executives are developing a taste for different products.

Among the twists offered to meet these tastes are funds tilted by mar-

ket sector, fundamental or quantitative data and economic and timing considerations. Other index products include options overrides or funds based on financial futures; South

Africa-free index funds; small-stock funds; international index funds; and timed funds, which shift between types of securities depending on the markets.

Congressional . . .

Continued from page 16

and a premium hike became more and more desperate as its deficit for the single-employer insurance program topped \$1 billion in 1985. The agency picked up record claims from plan terminations by Allis-Chalmers Corp. and Wheeling-Pittsburgh Steel Corp., whose plans were underfunded by \$160 million and \$440 million, respectively.

However, an impasse on resolving the differences jeopardized the bill's future. The scrapping of the

bill was averted as Rep. Rostenkowski agreed to recede to the House labor committee measure.

Some experts, including PBGC chief Kathleen Utgoff, think the long-term solution for the system is shifting to a risk-related premium — one based on the likelihood of an employer's terminating an underfunded plan.

An agency-commissioned study on that issue is awaiting release, but is likely to stir up a hornets' nest.

What may emerge as the hottest

issue in 1986 is the long-brewing question of whether employers should be able to terminate overfunded pension plans to recover surplus assets.

The right to retrieve the excess assets has the support of the administration, but the winds are shifting. Support is mounting in Congress to curb reversions, and more substantive bills than the nine-month moratoriums unsuccessfully sought by Sen. Howard Metzenbaum, D-Ohio, and Rep. Edward Roybal, D-Calif., may be developed.

Eventually, asset reversions will be prohibited, predicted Richard Fay, a pension lawyer with Reed

Smith Shaw & McClay, Washington.

Defensive moves by employer groups are "a rear-guard action. It's Napoleon trying to get out of Moscow alive," he said.

In particular, the fact employers stand to recover nearly \$9.5 billion from terminations of plans overfunded by \$1 billion since 1980 has added fuel to the fire. United Air Lines Inc.'s pending \$962 million reversion, and the wave of terminations used to either avert a takeover or provide the financing in the aftermath of one, may spur legislators on.

In addition, there is a growing

consensus in the administration that its guidelines on asset reversions were just a step to deal with an immediate problem: how to allow employers to terminate their plans and stay within the defined benefit plan universe.

The real issue, officials have said, is not whether employers should be allowed to recapture surplus assets, but whether companies must terminate their plans to do so. Proposals allowing employers to borrow or withdraw all or part of their plans' surplus assets may receive increased attention in 1986.

Also emerging on the congressional front are a series of proposals that would toughen the Employee Retirement Income Security Act.

A bill proposed by Sen. John Heinz, R-Pa., and Rep. William Clay, D-Mo., would impose a five-year minimum vesting requirement, tougher integration and coverage rules, tightened distribution rules and improved portability.

The risk, some say, is that the differences between a mandated pension system, such as Social Security, and the voluntary private pension system is being blurred. ERISA's requirements, seen as radical proposals 11 years ago, now are viewed as "inadequate," Mr. Fay said.

Other issues developing in 1986 may include:

- the unfunded levels for retiree health insurance, estimated between \$100 billion and \$200 billion;
- a gradual move toward incentive-based compensation for money managers, following the Securities and Exchange Commission's historic decision to allow the fees;
- increased attention to pension issues by top Labor Department officials, following Secretary William Brock's elevation of the pension program's top spot to assistant secretary from administrator, and a boost in the agency's status within the department;
- the expected issuance of a definition of plan assets by the Labor Department by midyear;
- increased attention to corporate governance issues, on the heels of the Council of Institutional Investors' wide exposure in meetings with Unocal Corp., arbitrageurs, the SEC and others; and
- continued focus on pension fund investment performance when the Labor Department issues an outside study commissioned on the subject.

DATES								HIGHLIGHTS OF SPECIAL SECTIONS, REPORTS & DIRECTORIES
ISSUE DATE	AD CLOSING DATE	REAL ESTATE	CORPORATE FINANCE	CASH MANAGEMENT	INTERNATIONAL	FUTURES & OPTIONS	PENSIONS & INVESTMENTS PERFORMANCE EVALUATION REPORT	
JAN 6	DEC 20*	●	●	●				Investment Banking Report/Survey: Annual Report on the leading investment banking firms for 1985.
JAN 20	JAN 8	1,000 LARGEST PENSIONS FUNDS						P&I Age's annual ranking of the largest pension funds. Details on asset size, mix, managers.
FEB 3	JAN 22	●	●	●		●		Money Mover Scorecard: Annual review of asset management shifts and trends among institutional investors in 1985.
FEB 17	FEB 5*	●	●	●	●		Annual	P.I.P.E.R. Annual: Pensions & Investments Performance Evaluation Annual Report.
MAR 3	FEB 19	●	●	●				Computers for Corporate Financial Management: An update on computer products available to corporate finance and fund managers.
MAR 17	MAR 5	●	●	●				Profile of 50 Largest Issuers/Survey: P&I Age identifies the largest issuers in various segments of the market and looks at how capital is being raised.
MAR 31	MAR 19	●	●	●		●		Directory of Financial Organizations and Associations: P&I Age takes a look at associations and organizations involved in treasury and investment management functions.
APR 14	APR 2	●	●	●	●			Leasing: An editorial update on leasing as a corporate financing tool—what's being leased, the money it's saving.
APR 28	APR 16	●	●	●			1st Quarter	P.I.P.E.R. First Quarter: Pensions & Investments Performance Evaluation Report—First Quarter results.
MAY 12	APR 30	●	●	●		●		Mutual Funds: P&I Age focuses on the use of mutual funds in various kinds of employee benefit plans—from pension to profit sharing plans.
MAY 19	APR 21*	DIRECTORY OF INVESTMENT ADVISERS						An in-depth look at the managers of America's wealth—total assets, asset mix, rankings.